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SUBJECT: TOPICS OF CHINA'S JANUARY 19-20 NATIONAL FINANCIAL  
WORKING CONFERENCE

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11. (SBU) Summary: China's National Financial Working  
Conference, to be attended by Premier Wen Jiabao and members  
of the Politburo, will be held on January 19-20, and focus on  
advancing financial reforms, particularly in the rural  
sector. This event, which takes place once every five years,  
will set the agenda for restructuring the financial sector.  
According to press and multinational investment banks'  
reports, major topics will likely include reform of the  
supervision of corporate bond issuance, creation of a  
coordinating system for financial regulatory work,  
establishment of an investment company to manage China's  
foreign exchange reserves, and reform of the Agricultural  
Bank of China (ABC), China Development Bank (CDB), and  
China's Import and Export Bank. Moreover, the conference  
might discuss turning four asset management companies, which  
were established in 1997 to deal with the non-performing  
loans (NPLs) of the four main state-owned banks, into  
commercial financial institutions. A China Securities  
Regulatory Commission (CSRC) Director-General told emboffs  
January 12 that bond market development will be a major  
topic. CITIC Securities' Senior Vice President on January 10  
told emboffs that the conference might discuss creating a  
company, separate from the State-Owned Assets Supervision and  
Administration Committee (SASAC), to manage state-owned  
financial assets. End Summary.

Press Reports and Investment Banks Report on Likely Financial  
Reforms

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12. (SBU) According to January 16 press reports, the National  
Financial Working Conference, which will be held January  
19-20, will focus on fixing the financial system in the rural  
sector. According to local and international press reports  
and multinational investment banks' informed speculation,  
major topics will include the establishment of: (1) an  
investment company (or redefinition of Huijin Holding  
Company's role) to manage China's foreign reserves, (2) a  
centralized entity to invest in state-owned financial assets,  
and (3) a system to coordinate the financial regulatory work  
of the People's Bank of China (PBOC), China Banking  
Regulatory Commission (CBRC), China Securities Regulatory  
Commission (CSRC), China Insurance Regulatory Commission

(CIRC), the National Development and Reform Commission (NDRC), and the Ministry of Finance (MOF). Reform of the Agricultural Bank of China (ABC), China Development Bank (CDB), and China's Import and Export Bank are also likely topics. HSBC speculates that the conference will discuss turning major asset management companies, which were established in 1997 to deal with the non-performing loans (NPLs) of the four main state-owned banks, of Xinda, Changcheng, Huarong, and Dongfang, into commercial financial institutions.

CSRC: Bond Market Development, Strengthening Implementation of Supervisory Laws are Topics

13. (SBU) Sun Jie, Director-General of CSRC's Department of Fund Supervision, told emboffs on January 12 that bond market development will definitely be one of the major issues of discussion at the National Financial Working Conference. The conference will encourage asset management companies to be larger players in the market. Sun noted that the CSRC Chairman will present regulations to strengthen implementation of the existing security regulatory laws. Sun added that he himself had proposed these regulations to the Chairman.

CITIC: Management of State-Owned Financial Assets Likely Topic as Well

14. (SBU) Gene Ma, Senior Vice President of CITIC Securities' Research Department, told emboffs on January 10 that the conference would also probably discuss creating a company, separate from SASAC, to manage state-owned financial assets. Ma said that in the fall of 2006, some of his friends were

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working on policy papers for the National Financial Conference and were sequestered without phone access until the papers were drafted.  
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